ESTO GROUP

Unaudited Financial Results 2024 6M

ESTO GROUP Reports Unaudited Consolidated Financial Results for 2024/6M

26%
GROWTH OF LOANS ISSUED

473M
VOLUME OF TRANSACTIONS

580K
USERS

423K
CREDIT APPLICATIONS APPROVED

€14.8M
REVENUE

€6.4M
EBITDA

€2.9M
NET PROFIT

0.4%
NET NPL TO NET PORTFOLIO

23th
CONSECUTIVE PROFITABLE QUARTER

Strong performance indicated by GMV 80 million,
2.9 million net profit and 6.4 million EBITDA,
while building the future of commerce

July 2024, ESTO GROUP (ESTO Holdings OÜ) presents unaudited consolidated financial results for the six months ending 30 June 2024.

Key Highlights

- **Net Profit:** Boosted to a record-high EUR 2.9 million, increasing by 101% YoY in the six months of 2024 compared to EUR 1.4mln in the same period of 2023.
- **Revenue:** Impressive increase with a new record of EUR 14.8 million in the six months of 2024, a 33% improvement compared to the same period of the previous year.
- **Loan Portfolio:** New record of EUR 67 million, supported by a record level group equity of EUR 17.2 million.
- **Financial Position:** Strong financial position with a constantly improving equity ratio reaching 23.42% and over EUR 41 million in new capital attracted in the six months of 2024. Together with substantially increased profitability, the 6-month ICR was 2.
- **Merchant Partners:** ESTO reached a record number of partners across the Baltics, with ca. 5,400 unique point of sales. This milestone highlights the growing trust and collaboration within the region.
- **Users:** During the first six months, users increased by ca. 60,000 across the Baltics. Quarter-to-quarter users grew by 29,484, with 41% coming from Latvia and 49% from Lithuania, showcasing our successful international expansion. ESTO reached a record number of users within the ecosystem, totaling 580,178 users across the Baltics.

Mikk Metsa, Founder and CEO of ESTO, commented,

"I am thrilled to report that the six months of 2024 have been a record-breaking period for ESTO. We achieved our highest-ever revenue of EUR 14.8 million and a net profit of EUR 2.9 million. Every month, we continue to set new net profit records, with the latest reaching EUR 660,000. Our efforts in the capital markets have also been fruitful, raising an additional EUR 41.7 million, including an extended facility with Multitude Bank. Our profitability is a highlight, with an annualized Return-on-Equity (ROE) of 59% for the first half of the year, well above industry benchmarks.

In parallel to the huge increase in profitability, we are very happy to see how fast ESTO is able to grow in all Baltic states. We gained 60,000 users during the first 6 months across the Baltics, with the main user growth coming from our international expansion in the Latvian and Lithuanian markets. We also reached a new level of active unique points of sale in the ESTO ecosystem, and our growth has not slowed down despite the substantial increase in profitability. These results reflect our strong financial health and strategic execution, and I am confident we will maintain this momentum moving forward."

Business performance

(in millions of euros)

	2024/6M	2023/6M	Δ in %
Operational highlights			
GMV	80.3	74.7	8%
Total volume of transactions	473.0	244.4	94%
Loans issued	41.5	32.9	26%
Credit applications approved (count)	423,449	384,469	10%
	2024.06.30	**2023.06.30**	
Net Loan portfolio	66.6	52.5	27%
Gross Loan portfolio	67.7	53.8	26%
Total unique point of sales (count)	5,344	3,833	39%
Total number of users (count)	580,178	459,662	26%

	2024/6M	2023/6M	Δ in %
Financial highlights			
Revenue	14.8	11.2	33%
EBITDA	6.4	4.0	57%
Net Profit	2.9	1.4	101%
	2024.06.30	**2023.06.30**	
Total Assets	75.5	59.1	28%
Equity (incl. Tier-I capital)	17.2	11.9	44%

Strategic and Operational Highlights

- **Expansion of Merchant Network:** The merchant network expanded with 260 new integrations, including prominent brands such as Madara Cosmetics and Tez Tour, further broadening ESTO's market reach and influence across all Baltic markets.
- **Credit Risk Improvement:** This quarter, the ESTO Risk Management function focused on reducing write-offs to ensure stable, profitable growth. Efforts were directed towards optimizing product setups and the ESTO environment, enhancing the customer experience, and mitigating risks.
- **Progress of ESTO Deals:** Earlier this year, ESTO introduced a new product called ESTO Deals, which has gained significant traction in the Baltic markets. Our existing and new partners are enthusiastically utilizing our advertisement network to offer attractive deals to our 600,000 Baltic users, who are finding great value in these offers. In the coming quarters, ESTO plans to invest further in this product to enhance its features and reach.
- **Marketing Optimization:** ESTO Marketing focused on optimizing the marketing budget by eliminating low ROI channels and integrating more productive ones. This led to an improved marketing costs to issuance ratio across all markets and stable or improved marketing campaign costs to revenue ratios, particularly in Latvia and Lithuania.
- **Enhanced Internal Communications and Strategic Partnerships:** Internal communications saw significant success, with peak newsletter engagement rates in Estonia, Latvia, and Lithuania. Additionally, ESTO established successful marketing partnerships with major brands like Sportland, BigBox, and Mobipunkt, enhancing market reach and influence.
- **Launch of Consumer Loan through Affiliates:** ESTO has introduced its Consumer Loan product through a network of affiliates, including merchant partners, brokers, and other affiliates. This strategic move allows ESTO to distribute its consumer loan schedules via multiple channels, significantly expanding the reach and availability of these products. With a robust network of over 5,300 unique points of sale, merchant affiliates can now offer flexible consumer loan solutions directly to retail shoppers, enhancing their purchasing experience by providing convenient additional financing options at the point of sale.
- **Enhanced Self-service Portal and Affiliate Services:** The migration to a new self-service portal with a modern UI has led to increased conversion rates to credit lines and ESTO Deals offers.

Key consolidated financial figures

(in thousands of euros)

Capitalization	**2024.06.30**	**2023.06.30**	**Δ in %**	**2023.12.31**	**2022.12.31**	**Δ in %**
Gross loan portfolio	67,682	53,758	25.9%	64,286	48,293	33.1%
Net loan portfolio	66,591	52,542	26.7%	62,931	47,383	32.8%
Assets	75,496	59,144	27.6%	70,515	53,200	32.5%
Equity (incl. Tier-I capital)	17,231	11,943	44.3%	14,303	10,522	35.9%
Equity to assets ratio	23%	21%		21%	20%	
Interest coverage ratio (TMT)	1.7	1.6		1.5	1.7	
Profitability	**2024/6M**	**2023/6M**	**Δ in %**	**2023/12M**	**2022/12M**	**Δ in %**
Revenue	14,847	11,186	32.7%	24,078	16,498	45.9%
Annualized net interest margin	22%	22%		21%	21%	
Cost to income ratio	23%	27%		25%	29%	
EBITDA	6,366	4,047	57.3%	8,680	5,826	49%
EBITDA margin	43%	36%		36%	35%	
Net profit	2,857	1,421	101%	2,854	2,319	23%
Annualized return on assets	8%	5%		5%	5%	
Annualized return on equity	59%	43%		39%	49%	
Asset quality	**2024.06.30**	**2023.06.30**		**2023.12.31**	**2022.12.31**	
Provision cost to loan portfolio	2%	2%		2%	2%	
Pledged loan receivables %	**2024.06.30**	**2023.06.30**		**2023.12.31**	**2022.12.31**	
ESTO Bond	120%	120%		120%	120%	

Financial review

Consolidated Statement of Financial Position

The table below sets out the consolidated statement of financial position for the six months ending 30 June 2024 and 31 December 2023 in thousands of euros.

(in thousands of euros)

	30.06.2024	31.12.2023	Δ in %
ASSETS			
Current assets			
Cash and cash equivalents	1,908	2,398	-20%
Loans and advances to customers	59,912	58,470	2%
Prepayments	613	828	-26%
Other assets	1,265	613	106%
Total current assets	**63,698**	**62,309**	**2%**
Non-current assets			
Loans and advances to customers	9,115	5,888	55%
Property and equipment	91	73	24%
Intangible assets	2,274	1,971	15%
Other assets	318	274	16%
Total non-current assets	**11,797**	**8,206**	**44%**
TOTAL ASSETS	**75,496**	**70,515**	**7%**
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Loans and borrowings	38,392	39,482	-3%
Trade payables and other payables	1,859	1,756	6%
Tax liabilities	165	120	37%

	30.06.2024	31.12.2023	Δ in %
Total current liabilities	**40,416**	**41,359**	**-2%**
Non-current liabilities			
Loans and borrowings	24,500	20,450	20%
Total non-current liabilities	**24,500**	**20,450**	**20%**
TOTAL LIABILITIES	**64,916**	**61,809**	**5%**
Equity			
Share capital	5	5	-
Share premium	435	435	-
Merger reserve	(23,952)	(23,952)	-
Voluntary capital	28,263	29,263	-3%
Retained earnings	2,916	100	2805%
Total comprehensive income	2,913	2,854	2%
Total equity	**10,579**	**8,705**	**22%**
TOTAL EQUITY AND LIABILITIES	**75,496**	**70,515**	**7%**

Assets

The Group had total assets of € 75,5 million as of 30 June 2024, compared with € 70,5 million as of 31 December 2023. The main change during the period is due to an increase of the loan portfolio, linked to the strong operations of the group companies.

Loan portfolio

Loans and advances to customer net of impairment loss allowance as of 30 June 2024 was € 69,0 million and increased by 7% compared to 31 December 2023 where Loans and advance to customer net impairment loss allowance was € 64,4 million.

Liabilities

The Group had total liabilities € 64,9 million as of 30 June 2024, compared with € 61,8 million as of 31 December 2023, representing an increase of € 3,1 million. Liabilities increased in line with group portfolio growth and were used to fund new loan issuance.

Loans and borrowings

As of 30 June 2024, the Group had loans and borrowings of € 62,9 million, compared with € 59,9 million as of 31 December 2023.

Equity

As of 30 June 2024, the Group's total equity amounted to € 10,6 million, compared with € 8,7 million as of 31 December 2023.

Consolidated Statement of Profit and Loss and Other Comprehensive income

The table below sets out the consolidated statement of profit and loss and other comprehensive income for the six months ending 30 June 2024 and 30 June 2023 in thousands of euros.

(in thousands of euros)

	2024/6M	2023/6M	Δ in %
Interest revenue	10,578	7,949	33%
Interest expense	(3,436)	(2,553)	35%
Net interest income	**7,142**	**5,397**	**32%**
Fee and commission income	1,731	1,224	41%
Fee and commission expense	(313)	(110)	184%
Net fee and commission income	**1,418**	**1,113**	**27%**
Other income	89	-	-
Net loss arising from derecognition of financial assets measured at amortised cost	(2,479)	(1,658)	50%
Impairment losses and on financial instruments	265	(307)	-186%
Other operating expenses	(2,103)	(1,948)	8%
Personnel expenses	(1,289)	(1,030)	25%
Depreciation and amortisation	(116)	(107)	8%
Other expenses	(113)	(73)	56%
Profit before income tax	**2,814**	**1,387**	**103%**
Income tax	43	34	26%
Profit for the period	**2,857**	**1,421**	**101%**
Other comprehensive income			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Unrealized gain from financial instruments	56	-	-
Total other comprehensive income	**56**	**-**	**-**
Total comprehensive income for the period	**2,913**	**1,421**	**105%**

Net loss arising from derecognition of financial assets measured at amortised cost

Net loss arising from derecognition of financial assets measured at amortised cost in the company is comprised from funds received and write-off from the sale of delinquent debt in the loan portfolio. For the reporting period the amounts consisted of 2,5 million, a 50% increase when compared to 1,7 million for the six months ending 30 June 2023.

Net loss arising from derecognition of financial assets measured at amortised cost increased proportionately due to considerably higher loan portfolio (gross loan portfolio increased by 26% year-on-year). Delinquent loan portfolio sale and write-off helps company to control provisioning expenses that would arise if non-performing loans would not be sold, together helping to keep Net NPL to Net Portfolio ratio less than 1%.

Overall net loss arising from derecognition of financial assets represented 17% of operating revenue for the reporting period, a 2% increase from 15% in the previous year.

Impairment losses and write off on financial instruments

Impairment losses on financial instruments for the reporting period were positive, at € 0,3 million and negative € 0,3 million for the six months ending June 2023. A decrease of 186% is seen due to better portfolio performance in the reporting period and delinquent loan portfolio sales.

Consolidated Statement of Cash Flows

The table below sets out the condensed consolidated statement of cash flows for the six months ending 30 June 2024 and 30 June 2023 in thousands of euros.

(in thousands of euros)

	2024/6M	2023/6M
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit	**2,857**	**1,421**
Adjustments or changes for:	**2,920**	**(1,257)**
Interest income	50	(245)
Interest expense	-	74
Net impairment loss on loans and advances	(265)	231
Net loss arising from derecognition of financial assets measured at amortised cost	2,479	(1,658)
Depreciation and amortisation	116	(74)
Other adjustments	539	414
Total adjustments or changes	**5,777**	**164**
Changes in:		
Trade and other receivables	(482)	78
Trade and other payables	147	(102)
Loans and advances to customers	(7,199)	(3,247)
Total changes	**(7,533)**	**(3,271)**
NET CASH USED IN OPERATING ACTIVITIES	**(1,756)**	**(3,107)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(41)	(16)
Acquisition of intangible assets	(581)	(302)
NET CASH USED IN INVESTING ACTIVITIES	**(622)**	**(319)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	13,738	9,735
Repayments of borrowings	(10,849)	(5,549)
Voluntary capital reduction	(1,000)	-

	2024/6M	2023/6M
NET CASH FROM FINANCING ACTIVITIES	**1,888**	**4,186**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(490)**	**761**
Cash and cash equivalents at beginning of period	**2,398**	**900**
Cash and cash equivalents at end of period	**1,908**	**1,661**

Net cash flows used in operating activities in the reporting period were € 1,8 million. Net cash flows used in investing activities were € 0,6 million in the reporting period. The Group's cash flows from financing activities were € 1,9 million.

Consolidated Statement of Changes in Equity

The table below sets out the condensed consolidated statement of changes in equity for the six months ending 30 June 2024 and 31 December 2023 in thousands of euros.

(in thousands of euros)

	Share capital	Share premium	Merger reserve	Voluntary capital	Unrealized (realized) gain from financial instruments	Retained earnings	Total equity
Balance at 31.12.2023	**5**	**435**	**(23,952)**	**29,263**	**41**	**2,914**	**8,705**
Total profit and other comprehensive income for the period	**-**	**-**	**-**	**-**	**56**	**2,857**	**2,913**
Profit for the period	-	-	-	-	-	2,857	2,857
Other comprehensive income	-	-	-	-	56	-	56
Reclassification from OCI to profit and loss	**-**	**-**	**-**	**-**	**(39)**	**-**	**(39)**
Realized gain from financial instruments	-	-	-	-	(39)	-	(39)
Transactions with owners of the Company Contributions and Distributions	**-**	**-**	**-**	**(1,000)**	**-**	**-**	**(1,000)**
Voluntary capital decrease	-	-	-	(1,000)	-	-	(1,000)
Balance at 30.06.2024	**5**	**435**	**(23,952)**	**28,263**	**58**	**5,771**	**10,579**

As of 30.06.2024 the total Equity of the Group consisted of € 10,6 million. Total equity including Tier-I capital for the reporting period consisted of €17,2 million.

Definitions

EBITDA – EBITDA means for the reporting period prior the calculation date, the consolidated net earnings of the Borrower prepared in accordance with the IFRS before any provision on account of taxation, depreciation and amortization, any interest, commissions, discounts and other fees incurred in respect of any financial debt, or any interest earned on debts.

Cost to income ratio – Operating costs / income.

Equity to assets ratio – Total equity / total assets deducting cash.

Gross loan portfolio – Total amount receivable from customers, including principal and accrued interest, after deduction of deferred income.

Intangible assets – Intangible IT assets (software and developments costs).

Interest and similar income – Income received from customer loan portfolio.

Interest coverage ratio – The ratio of EBITDA to Net Finance Charges.

Net loan portfolio – Gross loan portfolio (including accrued interest) less impairment provisions.

Annualized net interest margin – Annualized net interest income / average gross loan principal (total gross loan principal as of the start and end of each period divided by two).

EBITDA margin – EBITDA divided by revenue.

Provision cost to loan portfolio – provision costs / total loan portfolio.

Annualized return on average assets – Annualized profit from continuing operations / average assets (total assets as of the start and end of each period divided by two).

Annualized return on average equity – Annualized profit from continuing operations / average equity (total equity as of the start and end of each period divided by two).

Disclaimer

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